

## Message Text

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PAGE 01 ROME 04801 231826Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00  
INRE-00 SP-02 AID-05 NSC-05 TRSE-00 SS-15 STR-04  
OMB-01 CEA-01 L-03 H-01 PA-01 PRS-01 CIAE-00  
COME-00 FRB-03 INR-07 NSAE-00 LAB-04 SIL-01 ITC-01  
/076 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 3528

INFO AMCONSUL MILAN

USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, IT, EC

SUBJECT: NON-RUBBER FOOTWEAR

REF: (A) ROME 3294 (B) ROME 502

SUMMARY. ITALIAN NATIONAL ASSOCIATION OF FOOTWEAR MANUFACTURERS HAS CONVEYED TO EMBASSY ITS GREAT CONCERN THAT U.S. ADMINISTRATION IS GIVING SLIOUS CONSIDERATION TO USING 1976 AS BASE YEAR FOR TARIFF-QUOTA ON NON-RUBBER FOOTWEAR. ASSOCIATION HOLDING PRESS CONFERENCE AND CALLING ON GOI OFFICIALS TO SOUND ALARM. GOI OFFICIAL HAS INFORMED EMBOFF THAT IT WILL NOT "ACCEPT" 1976 AS BASE FOR TARIFF-QUOTA AND WILL REACT STRONGLY. ASSOCIATION PRESIDENT PLANS CALL ON AMBASSADOR. END SUMMARY.

1. GIORGIO AQUILINA, DEPUTY DIRECTOR OF ITALIAN ASSOCIATION OF FOOTWEAR PRODUCERS, CALLED ON ECMIN AND EMBOFF MARCH 22 TO REPORT ASSOCIATION'S CONCERN OVER LIKELY PRESIDENTIAL DECISION ON NON-RUBBER FOOTWEAR CASE ADVERSE TO ITALY, BY  
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PAGE 02 ROME 04801 231826Z

SETTING 1976 AS BASE YEAR FOR TARIFF-QUOTA. ASSOCIATION LEADERSHIP HOLDING PRESS CONFERENCE ON MARCH 23 IN MILAN IN ORDER TO CONVEY TO ITALIAN PUBLIC STRONG REACTION OF THE INDUSTRY AGAINST U.S. TRADE MEASURE ON SHOES.

2. ACCORDING TO AQUILINA, DIRECTOR OF ASSOCIATION, ODOACRE MERCADANTE, WAS MAKING CALLS ON HIGH GOI OFFICIALS,

INCLUDING ECONOMIC ADVISOR TO PRIME MINISTER ANDREOTTI, ON MARCH 22 TO REGISTER ASSOCIATION'S PROTEST AND TO SEEK STRONG GOI SUPPORT. AQUILINA ALSO REQUESTED, ON BEHALF OF OTTORINO BOSSI, PRESIDENT OF ASSOCIATION, AN APPOINTMENT WITH AMBASSADOR GARDNER. WE HAVE ADVISED THAT AMBASSADOR WILL BE PLEASED TO RECEIVE HIM.

3. AQUILINA SAID MERCADANTE HAD JUST RETURNED FROM A VISIT TO WASHINGTON WHERE, TO HIS SURPRISE, HE FOUND THAT SERIOUS CONSIDERATION BEING GIVEN TO USING 1976 AS BASE YEAR (INSTEAD OF 1974 AS RECOMMENDED BY INTERNATIONAL TRADE COMMISSION). THIS WOULD PUT ITALY IN ESPECIALLY BAD POSITION, ACCORDING TO AQUILINA, AS ITS EXPORTS TO THE U.S. DECLINED STEEPLY FROM 1974 TO 1976. AQUILINA CONTENDED THAT THERE WERE INDICATIONS THAT ITALIAN SHOE EXPORTS TO THE U.S. HAD LEVELLED OUT IN 1976 AND MIGHT HAVE EVEN BEGUN TO RISE. IF 1976 IS USED AS THE BASE, THE ITALIAN EXPORT LEVEL NOT ONLY WOULD BE PREVENTED FROM RISING, IT WOULD BE FORCED DOWN SOMEWHAT BECAUSE EXPORTERS WOULD STOP SHIPMENTS AS THE EXPORT LEVEL APPROACHED THE QUOTA LEVEL TO AVOID PAYING THE ADDITIONAL TARIFF. HE ADDED THAT ITALY'S SHOE EXPORTS, BECAUSE THEY HAVE HIGH AVERAGE UNIT VALUE, WOULD BE ESPECIALLY HARD HIT BY 40 PERCENT SUPPLEMENTARY TARIFF RECOMMENDED BY ITC. HE OBSERVED THAT OTHER EC EXPORTERS ALSO WOULD BE ADVERSELY AFFECTED WHILE U.S. SHOE INDUSTRY WOULD GAIN LITTLE PROTECTION FROM MEASURE IF 1976 USED AS BASE YEAR. HE NOTED ANY INJURY SUFFERED BY U.S. INDUSTRY WAS NOT FROM ITALIAN EXPORTS, BUT NOW APPEARED ITALIAN EXPORTERS WOULD SUFFER GREATEST RESTRAINT. LIMITED OFFICIAL USE

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PAGE 03 ROME 04801 231826Z

4. AQUILINA REGRETTED THAT ITALIAN ASSOCIATION HAD NOT FOLLOWED DEVELOPMENTS IN WASHINGTON MORE CLOSELY. UP TO NOW, ASSOCIATION LEADERSHIP HAD ASSUMED ITALY WOULD BE IN RELATIVELY GOOD POSITION, IF ANY TRADE MEASURE ON SHOES PUT INTO EFFECT, BECAUSE OF ITS EXPECTATION THAT SUCH MEASURE WOULD BE ALONG LINES OF ITC RECOMMENDATION.

5. SUBSEQUENT TO AQUILINA'S CALL, FRANCESCO SIMEONE, DIRECTOR OF MINISTRY OF FOREIGN TRADE OFFICE THAT HANDLES GATT AND ITALO-U.S. MATTERS, CONTACTED EMBOFF TO EXPRESS MINISTRY'S DEEP CONCERN THAT USG GIVING SERIOUS CONSIDERATION TO MOVING BASE YEAR TO 1976. SIMEONE SAID HE UNDERSTOOD THAT USE OF 1976 WOULD BE MORE FAVORABLE TO DEVELOPING COUNTRIES, BUT EMPHASIZED IT WOULD BE VERY BAD FOR ITALY. GOI, HE SAID, COULD NOT "ACCEPT" 1976 BASE YEAR AND WOULD REACT VERY STRONGLY. HE INDICATED THAT ALMOST ANY OTHER BASE PERIOD WOULD BE BETTER AND THAT A BASE SUCH AS THE AVERAGE OF 1975, 1974, AND 1973 WOULD BE ACCEPTABLE,

ADDING THAT THERE WERE A VAST RANGE OF ACCEPTABLE POSSIBILITIES. HE CONCLUDED BY CITING IMPORTANCE OF SECTOR TO ITALIAN ECONOMY. HIS RESPONSES TO EMBOFF'S QUESTIONS INDICATED HE DID NOT HAVE MUCH INFORMATION, SEPARATE FROM THAT SUPPLIED BY ASSOCIATION, ON COURSE OF WASHINGTON CONSIDERATION OF ITC RECOMMENDATION.

6. ACTION REQUESTED: PLEASE PROVIDE INFO ON STATUS OF WASHINGTON CONSIDERATION OF TRADE MEASURE ON NON-RUBBER FOOTWEAR AND GUIDANCE FOR RESPONDING TO PRESS INQUIRIES.  
GARDNER

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## Message Attributes

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**Review Markings:**  
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